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R 151412Z SEP 08  
FM AMEMBASSY ADDIS ABABA  
TO RUEHC/SECSTATE WASHDC 2010  
INFO RUCNIAD/IGAD COLLECTIVE  
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS ADDIS ABABA 002531

STATE FOR AF/E  
COMMERCE FOR BERKUL

SIPDIS

E.O. 12958: N/A  
TAGS: [ECON](#) [ETRD](#) [PREL](#) [ET](#)

SUBJECT: COMMERCE VISIT PUNCTUATED BY MIXED FEELINGS ABOUT DOING  
BUSINESS IN ETHIOPIA

SUMMARY:

¶1. (U) U.S. Department of Commerce Deputy Assistant Secretary (DAS) Holly Vineyard's August 17-20 visit to Ethiopia highlighted an economy offering significant opportunities as well as great challenges. While the Ethiopian economy has shown significant growth in recent years, business and development community interlocutors questioned whether such growth can be continued in the absence of broader structural reforms. Ethiopian Government (GoE) officials made clear that Ethiopia 'is not ready to liberalize' its telecommunications or financial services sector, but did note potential openings for expanded protection and the reinforcement of intellectual property rights (IPR). The visit highlighted the importance of continued bilateral engagement to support Ethiopia's accession to the World Trade Organization (WTO) and to secure greater opportunities for U.S. businesses to invest in, and trade with, Ethiopia.

BUSINESS COMMUNITY: ETHIOPIA IN NEED OF A 'MAKE-OVER'

¶2. (SBU) In a lively and wide-ranging meeting, DAS Vineyard and Senior Economic Specialist Becky Erkul engaged founders of the American Chamber of Commerce (ACCE) and a cross section of business leaders in discussions on the climate, status, perceptions and challenges of doing business in Ethiopia. In framing the groups concerns, the Addis Ababa's Chamber of Commerce President highlighted Ethiopia's challenges with WTO accession, IPR protection, foreign exchange reserves, banking, financing, inflation, land acquisition and expropriations. Ernst and Young's Ethiopia Managing Partner asserted the need for Ethiopia to undergo a 'business image makeover' and suggested that the USG promote private equity investment in Ethiopia to signal that the country is indeed 'open for investment.' The AmCit Manager also noted growing concerns that USG support of Ethiopian business development is predicated upon 'too many rules.' He cited local businesses having difficulty accessing financial support via ExIm funding, causing the United States to fall behind China in the international movement to invest in Ethiopia.

¶3. (SBU) Members of the U.S. Mission-supported Women's Entrepreneurs Group (WEG) asserted that their constricted access to working capital stems in part from gender biases in the business community. These biases serve to inhibit women's ability to secure and sustain financial capital. While WEG members are heartened by the World Bank's capacity building and training efforts, they remain hopeful that ACCE can leverage U.S. contacts to help women-led businesses access traditionally male-dominated industries. Throughout the course of the meeting, the DAS asserted that better branding, a gender-bias free climate, more liberal banking policies, and heightened awareness of IPR and expropriation issues would serve to enhance Ethiopia's capacity to do business within the international community.

COMMERCIAL POLICY OPENINGS FOR CHANGE ARE DIFFICULT TO IDENTIFY:

14. (SBU) DAS Vineyard met with Ethiopian Intellectual Property Office (EIPO) Acting Director General (ADG) Alemu Abebe, who early in their discussion admitted to Ethiopia's clear need for education on IPR issues. Abebe asserted his office's willingness to work with the USG on IPR issues as DAS Vineyard highlighted USPTO training opportunities for EIPO staff. With a staff of 53 (and hopes of a 40% personnel increase in coming years), Abebe's EIPO team is currently operating under capacity. DAS Vineyard highlighted Marriott's concerns over the infringing "Mariot" and Abebe agreed to follow up on the issue. DAS Vineyard queried the EIPO on the GoE's protection of foreign copyrights and patents, as well as its decision to implement a trademark (TM) versus certification mark (CM) for its coffee brands. Characterizing his office's position on TM versus CM as being 'open for debate,' the EIPO has studied, and is most comfortable with, models that employ the TM option in other developing countries. Abebe agreed to follow up the DAS's request for additional details on GoE plans to introduce domestic enabling legislation to bring the country into compliance with the TRIPS agreement as it pursues WTO accession. The ADG noted that the EIPO, the Ministry of Tourism, and the Ethiopian Embassy in Washington, DC are co-organizing a tour for influential Ethiopian Diaspora business people and other foreigners to visit coffee, leather and textile sites in Ethiopia. This trip may present opportunities for cross-coordination with ACCE's fall 2008 media launch in Addis Ababa.

15. (SBU) The DAS spoke at length with the Minister of Trade Girma Birru regarding Ethiopia's WTO Accession, IPR protections, import/export barriers, and the investment climate. The DAS complimented MoTI's signal of interest in opening its markets to the international community by working to become a member of the World Trade Organization. Birru agreed that while Ethiopia's forward

movement with accession planning has proven difficult, the country has made positive steps with respect to increasing awareness of IPR protection and enforcement. The DAS highlighted U.S. companies that have approached the USG, such as Marriott's concerns about trademark infringement, and Caterpillar's concerns about burdensome import/export requirements, and limited supplier credit. Birru indicated that the GoE is examining the possibility of relaxing supplier credit regulations to enable companies to increase their trade volumes. He also acknowledged that while these shared challenges may have impeded U.S. businesses and investments in the past, his Ministry is committed to taking corrective action on cases cited by American firms. In like-fashion to Minister Birru, Ministry of Foreign Affairs' Acting Director General for Economic Cooperation and Business Affairs, Girma Temesgen, offered his office's assistance in the investigation of AmCit land and investment expropriation cases, foreign exchange and supplier credit disputes. While Temesgen promised to investigate and facilitate such cases, he also made explicit that Ethiopia 'is not ready to liberalize' its financial services sector.

16. (SBU) Recognizing that ACCE is only the fourth American Chamber in Sub-Saharan Africa, the Minister heralded this milestone and apologized for delays in the registration process. The Minister expressed deep appreciation of Ethiopia's AGOA increases, and USAID's agribusiness expansion program. Birru remains interested in increased USG assistance to attract FDI to Ethiopia and appreciated the DAS's keen interest and support. The DAS welcomed further collaboration between the Commerce Department and MoTI on ACCE and IPR enforcement, with particular emphasis on assisting American companies to receive full protection for their brands.

ETC, AN EXERCISE IN AVOIDANCE:

17. (SBU) While national telecommunications operator Ethiopian Telecommunications Corporation (ETC) CEO Mr. Amare Amsalu graciously received the DAS on short notice, he avoided questions regarding WTO expansion in Ethiopia, citing WTO issues as 'outside his area of expertise.' Praising the Chinese for their 'economies of scale,' Amsalu suggested that American and multi-national ICT firms (such as Oracle) model themselves after their Chinese counterparts. According to Amsalu, Chinese bidders are better accustomed to Ethiopian price sensitivities, and ways of doing business. Amsalu cited the length of time traditionally needed for U.S. ICT firms to vet deals with ETC (six months or more) as 'prohibitive to doing business with

American firms.' When asked about the status of the media law, freedom of information act, and internet censorship, Amsalu waxed profoundly about how the internet 'relaxes borders,' 'maximizes globalization,' and 'promotes the freedom of information.' When PolEconOff pushed further on the issue of internet censorship, Amsalu asserted that ETC has no role in 'blocking information.' Amsalu punted the DAS's questions on the media law and freedom of information act to the Ministry of Communications and Transport, a meeting that Post, after considerable effort, was unable to secure.

#### SITE VISTS AND SUCCESS STORIES:

18. (SBU) While in-country, DAS Vineyard visited several companies benefitting from AGOA and USAID capacity building efforts: Taytu Leathers PLC, Jobera Flower Farm, NovaStar Garment Factory and Muya Ethiopia PLC. The DAS was encouraged by niche sales strategies exhibited by all the companies and in several cases breakthroughs within high-end U.S. retail markets by Taytu Leathers PLC and Muya Ethiopia PLC. (Note: Taytu retails finished leather goods to Barneys New York). In total these companies employ and train more than 2,000 workers, most of whom were unemployed before the businesses opened. These companies are currently exporting many of their products to the United States, Canada, Western Europe and Israel. Managers and owners of the four sites visited were particularly appreciative of USAID's overall approach to market driven diplomacy, linkages to clients, and U.S. trade fair opportunities.

#### COMMENT:

19. (SBU) Commerce DAS Vineyard's visit highlighted persistent challenges and some opportunities. Given the GoE's human capital, financial, and technological limitations, sectoral monopolies will continue to stunt severely Ethiopia's prolonged economic growth and could delay its accession to the WTO. Efforts to convince the GoE to open itself for private investment should continue such that additional technological, financial and managerial know-how can flow into the country. The GoE's openness to expand international IPR protections presents an opportunity for positive USG engagement with the GoE to protect U.S. commercial interests and support Ethiopia's WTO accession efforts. The DAS's visit also re-emphasized Ethiopia's need for further engagement on WTO accession requirements while well highlighting the current risks and benefits to U.S. firms doing

business in Ethiopia.

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